Q. The capital costs of Rattling Brook refurbishment are estimated to be $20.9 million, and the levelized cost over 50 years, including capital and operation and maintenance costs, is estimated to be 2.9 cents/kWh (Appendix H). This translates to a capital cost of $1482/kW (or $7207/incremental kW). Please provide comparable figures for new hydro and wind generation, and energy conservation initiatives, in the Province.

A. Comparable costs for recent new generation on the island interconnected grid, as forecasted by Newfoundland & Labrador Hydro, are presented in Table 1 below:

Table 1[1]
Costs for Recent New Generation
Island Interconnected Grid

Generating Facility	In-Service Date	Energy Cost Cents per kWh
Granite Canal	2003	5.38
Corner Brook Pulp and Paper	2003	7.92
Exploits River Hydro Partnership	2003	7.71
Rattle Brook	1998	7.74
Star Lake	1998	7.32

Based on a capital cost of $134.55 million dollars (information taken from 2003 NLH General Rate Application, Request for Information IC-257-NLH) and a capacity of 40 MW, the unit capacity cost of the Granite Canal project is $3,364/kW.

Estimated costs of potential future generation are presented in Table 2 below:

Table 2
Estimated Costs of Potential Future Generation

Generating Facility	$ per kW	Cents per kWh
Hydro Wind RFP[2]	-	6.70
Island Pond ($2007)[3]	$5,862	8.36
Round Pond ($2007)[3]	$9,254	9.50
Portland Creek ($2007)[3]	$5,911	7.97
Combined Cycle Combustion Turbine[3]	$1,678	-

Comparable cost for energy conservation initiatives are not available.

[1] Information taken from 2003 NLH General Rate Application CA-35-NLH and IC-260-NLH.
[2] Ceiling price noted in December 2005 RFP.
[3] 2006 Hydro Marginal Cost Study & associated calculations, p. 13.

These above costs of new capacity are not comparable to the $1,482/kW and $7,207/kW referred to in the question. The $1,482/kW figure is based on only the partial replacement of the existing Rattling Brook Plant, whereas the new capacity costs include the cost of a complete plant.

The $7,207/kW is not correct. While it uses the incremental capacity gain of 2.9 MW as one component of the calculation, it does not use the incremental cost associated with that increased capacity as the other component. The estimated cost of the incremental capacity is $2.1 million[4], resulting in a calculated incremental unit capacity cost of $724/kW.

The proposed Rattling Brook refurbishment is economically attractive when compared to other sources of new generation available to the island interconnected grid.

[4] SGE Acres Report, Appendix C, p. 1.